

25X1A [REDACTED]

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Secret

No Foreign Dissem



DIRECTORATE OF
INTELLIGENCE

Intelligence Report

Opium Production and Movement in Southeast Asia

Secret

No Foreign Dissem
CIA/BGI GR 71-5
January 1971

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1 Excluded from automatic downgrading and declassification

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
January 1971

INTELLIGENCE REPORT

Opium Production and Movement in Southeast Asia

Summary

Opium, a high-value and low-bulk commodity, is produced in remote mountainous tracts in northern and eastern Burma, northern Thailand, northern Laos, northern North Vietnam, and -- to an unknown but probably limited extent -- in the southwestern part of China's Yunnan Province. It provides the sole cash income for thousands of hill tribal people -- Meos, Yaos, Lahus, Akhas, Shans, Lisus, Kachins, and Was -- who, for the most part, are not responsive to the directions of their host governments.

Cultivation of the opium poppy is illegal in Burma and Thailand, and its growth in North Vietnam and Communist China is strictly controlled by the governments of those countries; there is, on the other hand, no existing legislation to prohibit opium production and trafficking in Laos, and the crop is an important source of income for the Communist Pathet Lao (PL) and for some top military and civilian officials of the Royal Laotian Government (RLG).

Government measures to curtail the growth of the opium poppy among the hill tribes in Burma and Thailand have been ineffective. In the eastern part of Burma's Shan State, in particular, government control is nominal at

Note: This report was produced solely by CIA. It was prepared by the Office of Basic and Geographic Intelligence and coordinated with the Offices of Current Intelligence and Economic Research. It was also reviewed by the Bureau of Narcotics and Dangerous Drugs of the Department of Justice and the Bureau of Customs of the Department of the Treasury.

SECRET

best, and opium production and marketing is a flourishing business.

Although cultivators consume only a fraction of the opium they produce,* much of the crop is consumed elsewhere within the producing countries. The surplus is exported along clandestine routes through either Bangkok or Vientiane, thence by ship or air to Hong Kong, Singapore, Saigon, or other Asian markets. Some of the opium is converted into a morphine base or into heroin at refineries situated near the producing areas; in this process the commodity is made more compact, facilitating shipment. Much of the opium, however, still arrives in Bangkok or Vientiane in its unrefined state and is processed there for onward movement.

* A Thai Government survey in 1965-66 reported that about 10 percent of the Meo adult population of Thailand were steady smokers; others were occasional users.

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Major Southeast Asian Producing Areas
(See Map 500059)

1. Because the opium poppy thrives in a relatively cool climate, it is usually grown in mountain valleys or on slopes that are more than 3,000 feet above sea level. It also requires loose alkaline soil, and cultivated fields are commonly found in areas of limestone bedrock. Poppyfields are usually located some distance away from established transportation routes and the prying eyes of government officials; they may even be a 2- or 3-hour arduous trek from the village of the cultivator. Intensive care of the crop is required during much of the growing season, and to save "commuting" time, some villagers may live in temporary huts near the fields. Because far less moisture is required for the opium poppies than for rice, the former are grown during the months from August or September to February or March -- when only about 20 percent of the yearly rainfall is received. The poppy does not deplete soil nutrients as quickly as rice or maize; the crop, therefore, may be grown continuously on the same plot of ground for 10 years or more.



Figure 1. Poppyfield of Yao village in northern Thailand. Flowers -- usually white but sometimes reddish-purple -- blossom early in the year.

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

NO FOREIGN DISSEM

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

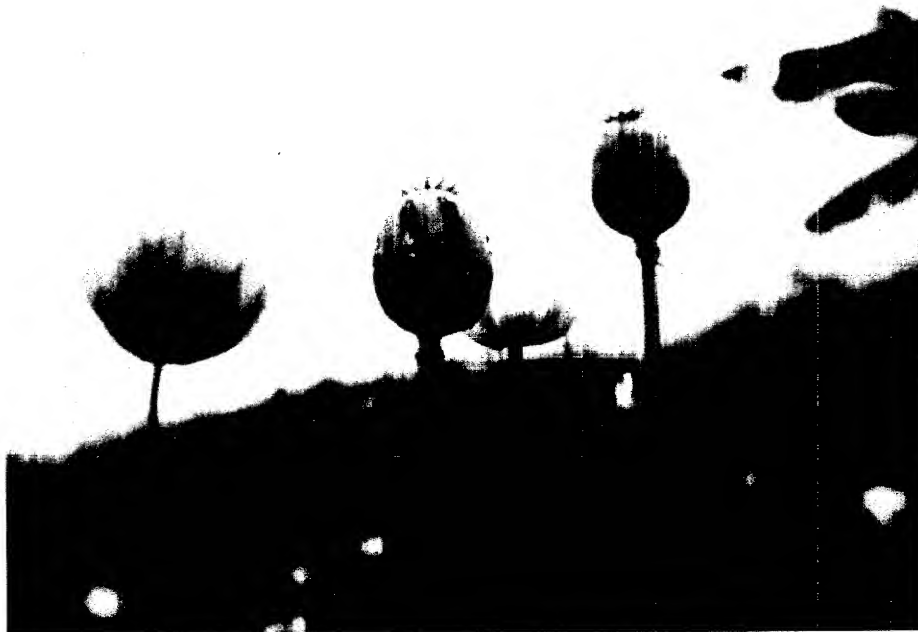


Figure 2. Poppy pods. Pod in center has been lanced with knife and opium resin oozes from the openings. Harvester will return the following day to scrape the congealed resin from the pod.

2. Burma, Thailand, and Laos together produce an estimated 700 to 750 tons of opium annually. Of this, Burma contributes about 400 tons, Thailand 200, and Laos 100 to 150. North Vietnam's output is unknown, and there is no known cultivation of the opium poppy in the other countries of Southeast Asia. Because of continuing insurgency in Laos and the refugee status of many of the opium growers, production there has dropped significantly in recent years. Opium growing areas of Burma, although serving for years as battlefields for clashes between insurgent armies and government forces, as well as between rival insurgent bands, continue with relatively undiminished output.

3. Production in Burma is concentrated in the eastern and northern parts of Shan State and in the southeastern part of Kachin State. Poppy fields dot the rugged slopes in eastern Shan State

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

around Keng Tung and in northern Shan State from Lashio east and north to the China border. The latter territory, comprised of the former Wa and Kokang feudal states, is now a center of Chinese Communist-backed insurgency directed against the Burma Government; much of the area is under de facto insurgent control, and insurgents reportedly have destroyed a number of poppyfields in order to deny the crop to pro-government hill tribes. The Kachin tribal people are inveterate cultivators, users, and traders of opium, and their poppyfields are scattered throughout Kachin State. The Kachin area between Bhamo and Namhkam, to the southeast in Shan State, is known to be especially productive.



Figure 3. Meo man preparing opium for smoking. Only a small amount of the opium produced in northern Southeast Asia is consumed by the hill tribe cultivators.

4. Opium-growing areas in northern Thailand are coterminous with the upland tracts occupied by

the tribal Meos, Yaos, Lahus, Akhas, and Lisus. The Meos produce by far the most opium. Most of these hill tribes live in the area north of 18°N; some, however, have drifted southwestward as far as the Tak area and others southeastward as far as Phetchabun Province. The provinces of Chiang Mai, Chiang Rai, and Nan have the largest upland populations. The tribal people are sparsely settled on the hillsides, however, and, although occupying much of the land, they actually form but a small minority of the total population of northern Thailand. In Nan Province, for example, valley-dwelling Thais outnumber the hill peoples 20 to 1. The Karens, who live in the mountains along the Thai-Burma border, generally occupy slopes that are less than 3,000 feet in elevation, where opium cultivation is marginal; their production is not significant.

5. The Meos and, to a lesser extent, the Yaos are the principal producers of opium in Laos, and the crop may be encountered wherever they are settled -- on upland tracts extending from the northern border southward to 18°N. Major producing areas include Phong Saly Province in the far north, Houa Phan (Samneua) Province in the northeast, and the Plaines des Jarres in Xiangkhoang Province in the east-central part of the country. Areas of production in Phong Saly and Houa Phan are now entirely occupied by the PL, and in Xiangkhoang, the opium areas are only partly under the control of RLG forces.

6. The opium-growing areas in North Vietnam are concentrated in the mountainous northern provinces bordering China. Cultivation is closely controlled by the government and none of the crop is believed to be channeled illicitly to international markets. Much of it is probably converted into morphine and used for medical purposes.

Collection and Local Transport (See Map 500059)

7. The opium produced in the remote poppy-fields in the northern part of Southeast Asia moves in stages along a labyrinth of jungle trails, roads,

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

rivers, airways, and searoutes to consumers in Hong Kong, Singapore, and other Asian cities. A large and disparate group of people are involved -- hill tribesmen who grow the poppies; village traders who collect the opium; merchants who convey it by mule and horse caravans to assembling and distributing centers; heavily armed forces that escort the caravans; "chemists" who refine the raw opium into morphine and heroin; truck drivers, bus drivers, pilots, and seamen who smuggle the illicit cargo to the markets; drug peddlers who make the final contact with the users; and a multitude of civilian and military officials who take their "cut" to ensure safe passage of the opium and its derivatives to their destination.

8. After the opium crop has been harvested in February or March, that part destined for market is either set aside to await a lowland buyer or carried several miles to a collection and distribution center in a larger village. Buyers may be independent merchants or the agents of large syndicates that have made prior arrangements for payment and pickup of the crop. These merchants and agents, along with their pack animals laden with a variety of goods for trade -- bolts of cloth, knives, axe heads, and other sundries -- circulate through the area in the period following the harvest. Most are Haw Chinese, descendants of immigrants from Yunnan (see Figure 4). In addition to the trade items, gold or old British India silver rupees may be used by the merchants to procure the opium.

9. Most of the opium caravans wend southward from the collection centers in the Burmese growing areas toward transfer points located near the Thai or Lao frontiers in the period March to June, after the harvest and before the onset of the monsoon rains. The cargo may be carried by a long procession of hill tribe porters, each carrying more than 50 pounds of raw opium on his back (see Figure 5). If the trek is a long one, however, the opium is more likely to be transported by a pack train of up to several hundred horses and mules, each loaded with nearly 150 pounds (see Figures 6 and 7). Such caravans may increase in size as additional cargo is picked up at prearranged collection points along the way. The caravans follow devious networks of

- 7 -

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

25X1A

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Next 1 Page(s) In Document Exempt

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

well-scouted trails in order to avoid hijacking by competing smugglers. Guards may carry machine guns or even mortars to protect the caravan. Most caravans terminate at Mong Hpayak in Burma, or at villages farther south in the Burma-Thailand-Laos border area -- particularly in the vicinity of Tachilek in Burma and Mae Sai in Thailand. Here the cargoes are stored and/or refined prior to eventual shipment by another pack train or motor vehicle eastward to Laos or farther southward into Thailand. Some of the pack trains, however, continue past the border and well into Thailand, where they continue their furtive tactics; they traverse a network of trails along remote mountain ridges, rarely follow the same route on successive trips, and often travel at night -- not so much to avoid hijacking by rival armies as to circumvent ambushes by the Royal Thai Army (RTA) or the Border Patrol Police (BPP).

10.

the opium poppy grows abundantly in the part of the Shan State that is east of the Salween River -- an area with numerous bands of ethnically diverse insurgents, bandits, opium smugglers, and gun runners -- and that much of the opium produced there is illicitly channeled out of the country through Thailand or Laos to international markets.

reasonably certain that some of the Kachin opium -- certainly that grown in the southeast around Bhamo -- is trafficked across Shan State into Thailand or Laos, where it is exchanged for arms and ammunition destined to be used by the Kachin Independence Army (KIA) or other insurgent groups that have long plagued the Burma Government. The American Consul in Mandalay reported in 1968 that exports of Kachin-grown opium to Thailand were increasing. He also noted an increase in local consumption, probably a reflection of the growing shortage of Western medicines.

11.

A US

claims that a small amount is regularly smuggled in produce trucks from Lashio in Shan State via Mandalay and Toungoo to Rangoon. The opium that is not consumed in Rangoon reportedly is carried by motor vehicle or coastal vessel to the Tenasserim coastal cities of Moulmein, Tavoy, or Mergui, and then moved either by human porters (mostly Karens) across the border into Thailand or placed aboard Burmese or Thai fishing vessels bound for Singapore or ports along the west coast of West Malaysia.

25X1C

25X1C

12. Before the takeover of China by the Communists in 1949, the tribal peoples of Yunnan's rugged mountains were not under the effective administrative control of the Nationalist Government, and illicit opium traffic across China's borders was rife. Because of the rigid control of opium cultivation gradually imposed by the present Communist regime, however, it is unlikely that any significant amount of the Yunnan opium now crosses the border into Burma or Laos and into international traffic.

13. Increasingly, opium is being used by hill tribe insurgents of northern and eastern Burma and northern Thailand to procure arms and ammunition for their activities. Most arms have been procured from Lao military personnel; others reportedly have been obtained from individuals in the RTA or BPP. Representatives of the Kuomintang (KMT) irregular armies based in northern Thailand sometimes act as middlemen. In Burma, weapons reportedly have been trucked or airdropped into Shan State, then carried to the insurgent camps by horse and mule caravans.

Principal Organized Smuggling Groups

14. The KMT irregular armies and the so-called Burmese Self-Defense Forces (Khakweyei) are the most powerful opium trafficking syndicates in northern Southeast Asia. The KMT irregulars, now largely

locally recruited, were originally comprised of Chinese Nationalist troops that retreated into the Burma-Thailand-Laos triborder region after the Communist takeover of mainland China. They originally were to serve as a stay-behind force to open a second front in support of Chiang Kai-shek's promised return to the mainland; although they still operate ostensibly as an anti-Communist force,* opium has long been their overriding interest. The KMT irregulars have a combined strength of between 4,000 and 6,000 well-armed men. The largest force, with an estimated strength of 1,400 to 1,900, is the Fifth Army, under General Tuan Hsi-wen. The second largest, with a troop strength of between 1,200 and 1,700, is the Third Army, led by General Li Wen-huan. Headquarters of both armies are located in a remote part of northern Thailand between Fang and Mae Sai. Their collection networks -- which utilize alliances with an assortment of ethnically diverse agents -- have dominated the opium business in northern Southeast Asia for years; it is estimated that they handle more than 80 percent of the opium grown in Shan State. The well-armed KMT operating units positioned along the "opium trails" in the Shan State ensure the safe passage of their caravans to the transfer points and processing plants located along the Burma-Thailand border. Competing traffickers must either pay a heavy tax to move their cargoes through KMT checkpoints or "buy" the protection of a KMT escort to the border.

15. The Burmese Self Defense Forces have been the major competitors of the KMT irregulars in recent years. They are comprised of former Shan State insurgents and bandits who have allied themselves with the Burma Government against both the KMT and the Chinese Communist-backed insurgents now active in the northern Shan State; in return, the government did not interfere with their opium-trafficking activities. The most notorious of these forces has been the army led by the dissident Sino-Shan leader Chang Chi-fu. His army, with a reported strength of several thousand troops, has

* Ties with the Chinese Nationalist Government have been severed for years.

long challenged the KMT for control of the production and movement of opium in the Keng Tung area. The long-standing feud between Chang and the KMT exploded into open warfare in the summer of 1967. Chang's alliance with the Burmese Government has disintegrated during the past year-and-a-half, and he has been imprisoned. His army, deprived of government sanction, has gone underground and his opium caravans, which formerly used government military vehicles and traversed well-trafficked roads, have been forced into more clandestine operations.

16. The Shan States Army, the largest of several forces that have been fighting for Shan independence from Burma off and on for the past 2 decades, is also heavily involved in the opium business. It maintains several camps in northern Thailand, ostensibly to serve as rest and training sites, but in actuality, to coordinate the sale of opium and procurement of weapons and supplies.

17. In the insurgency areas of northern Thailand, insurgents have taken over the sale and movement of opium, and Meos have been encouraged to grow more opium to provide funds for their activities.

Local Processing Areas

18. Because of raw opium's bulk (see Figure 10) and telltale odor, smugglers are increasingly converting the unrefined product into a morphine base in local laboratories in the Burma-Thailand-Laos triborder area. This morphine base, which has only about one-tenth the weight of the unrefined product, is pressed into compact and easily transportable bricks (see Figure 11). Part of the morphine base is further processed into heroin in these triborder labs.

19. Most of northern Thailand's opium refineries are located in remote hills within the triangle formed by the Thai towns of Fang, Chiang Rai, and Mae Sai. They are run by KMT operatives. In Burma, the only known laboratories are located near Tachilek, just north of the Thai border.

25X1C

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Tachilek has long been a transshipment center for Shan State opium. Much of the Burma and Thailand opium that moves to the international market through Laos, as well as much of the crop grown in RLG-controlled areas of Laos, is processed in laboratories in Mekong River towns of Houa Khong Province. The town of Houei Sai is the chief such processing site and also functions as a transshipment point for opium refined at other northwestern Laotian towns such as Muong Sing (which may also be an entry point for Yunnan-grown opium).

Transport to Export and User Areas

20. The opium caravans that cross the Burma-Thailand border terminate near the northern Thai valley towns of Chiang Rai, Chiang Mai, Lampang, or Tak; southward from these points the opium is shipped by a combination of train, truck, bus, and/or boat. Once across the border, most of the caravans follow a network of trails along the densely jungled and lightly peopled mountain ridges lying west of Thailand's major north-south highway (Route 1, which passes through Mae Sai, Chiang Rai, and Lampang). A few caravans, however, may travel along ridges farther west, closer to the Burma-Thailand border, and terminate near Tak. From Tak, the cargo is carried by motor vehicles and boats to Bangkok. Caravans may pick up Thai-produced opium at collection points along the way.

21. Perhaps most of the opium moving from Burma through Thailand is transferred from Shan State caravans to trucks, buses, or private cars near Tachilek. Chinese merchants usually arrange transshipment southward. If a truck is used, the illicit cargo is packed in small containers and cached among baskets and boxes of local native products to avoid detection. If transported by bus or car, a secret compartment, built into the vehicle by the owner, conceals the drugs. Despite such precautionary measures, however, additional protection is necessary, and officials of the RTA, BPP, and Customs at the several checkpoints on the route to Bangkok are usually bribed. "Protection" fees are either prepaid by the smuggling syndicate or paid by the driver at the checkpoints (see Figure 13).

25X1C

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

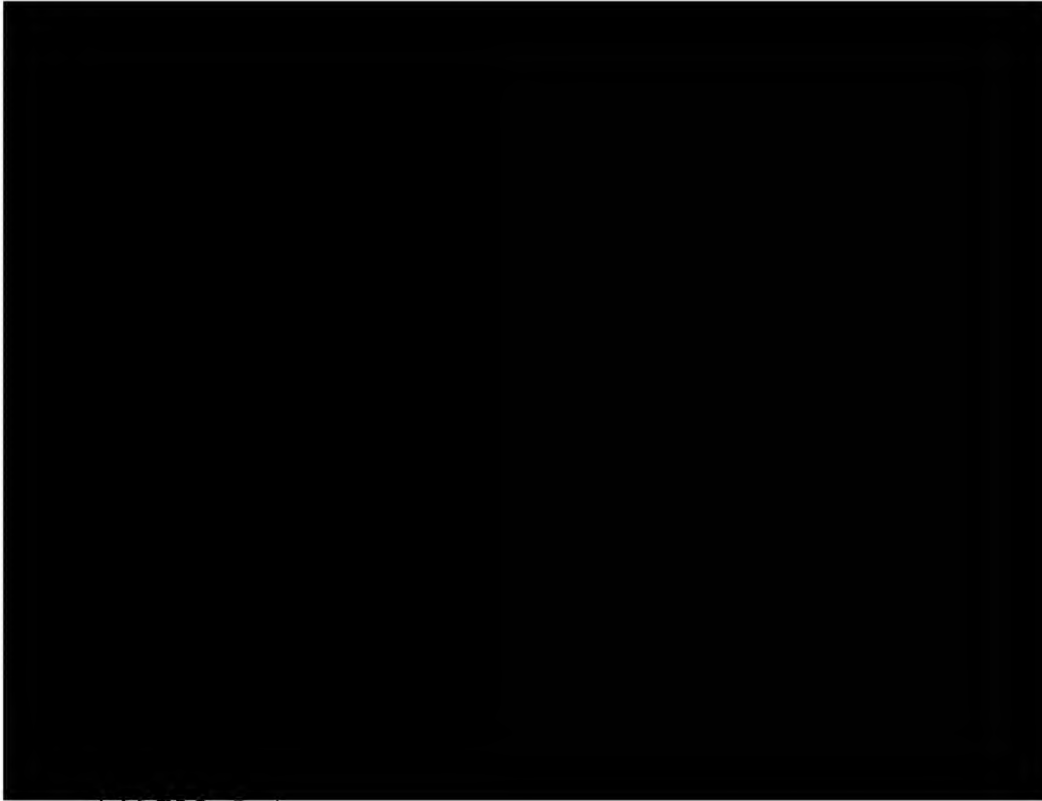
Next 1 Page(s) In Document Exempt

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

25X1C



22. Opium or morphine base is delivered to laboratories in Bangkok for further refinement into morphine or heroin (See Figure 14.). These labs, like most other elements of the Southeast Asian opium business, are run by Chinese. Most of the refined product is then smuggled aboard Hong Kong-bound vessels -- either Thai merchant ships at the Chao Phraya River docks in Bangkok or Thai deep sea trawlers at nearby fishing ports on the Gulf of Thailand. Such craft may then deposit the illicit cargo on one of the several hundred small islands ringing Hong Kong for later retrieval by a Hong Kong junk. The narcotics may also be packed in waterproof containers that are connected by ropes to floats. These containers are then jettisoned at prearranged sites in shallow waters near Hong Kong. Later, they are picked up by a junk equipped with a grappling hook. The cargo is transferred from the junks to warehouses and refineries in Kowloon or the

SECRET

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6
NO FOREIGN DISSEM

New Territories to await distribution to Hong Kong users. A recent report indicates that an increasingly popular method of smuggling narcotics from Bangkok to Hong Kong involves the insertion of the product into cases of fruit such as pineapple, which are commercially packed in Bangkok. Reportedly a small amount of morphine has also been smuggled into Hong Kong from Bangkok aboard commercial airliners. (See Figures 15 through 21.)

25X1C

23. Not all of the Bangkok supply of narcotics is shipped to Hong Kong. Some is concealed in motor vehicles and transported through southern Thailand to Malaysian ports such as Penang (Pinang), Port Swettenham, or Kota Baharu, or to Singapore, which is both a market and a transshipment point for the Southeast Asian opium products. The transshipments go to other Asian cities including, apparently, Hong Kong.* Few narcotics cargoes are currently

* Singapore and Penang have been included in the list of Asian ports considered by Hong Kong customs agents as suspect ports of origin, and all ships originating there are checked for illicit cargo.

- 19 -

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6
SECRET
NO FOREIGN DISSEM

25X1C

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Next 2 Page(s) In Document Exempt

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

SECRET
NO FOREIGN DISSEM

believed to be smuggled from Bangkok to Malaysia or Singapore by ship.

24. Southeast Asian opium exiting through Laos follows a path equally as circuitous as that exported through Thailand. Much of the product (opium or its derivatives) is transferred by river craft and/or Royal Armed Forces (FAR) vehicles from the growing and processing sites to Houei Sai, from where it is airlifted by Royal Lao Air Force (RLAF) craft to collection and processing centers in Luang Prabang (Louangphrabang) or Vientiane.* The rest of the opium grown in RLG-controlled territory is shipped directly from the growing areas to these centers. The narcotics are then assembled in Vientiane for shipment, often in RLAF aircraft, to other cities in Laos such as Savannakhet or Pakse or to international markets. Some is flown to Bangkok for transshipment to Hong Kong; the narcotics, assembled in watertight containers, are dropped at prearranged sites in the Gulf of Thailand, recovered by Thai fishing vessels, and spirited up the Chao Phraya river to Bangkok.

25. A similar operation reportedly delivers narcotics directly from Vientiane to Hong Kong, where they are picked up in the local waters. Much of the Lao-processed product is destined for Saigon. Most of it is probably smuggled aboard military or commercial air flights (including Royal Air Laos and Air Vietnam), often by or in collusion with the crew. Intelligence reports dated 1970 indicate that narcotics cargoes from Laos have been air dropped near Ban Me Thuot, about 150 miles northeast of Saigon, then smuggled to Saigon by truck, sometimes concealed in gasoline drums. The operation is run by a syndicate of Vietnamese. Air drops also have been made into rubber plantations near the South Vietnam-Cambodia border and the

* Some of the opium grown in insurgent-controlled areas of northern Thailand reportedly is transferred across the Mekong by boat to Houei Sai where it is exchanged for weapons and ammunition.

- 23 -

SECRET
NO FOREIGN DISSEM

cargo transferred to Saigon by automobile. Air carriers reported to be utilized in such operations have included small planes -- such as Beavers or Piper Cubs -- equipped with extra gas tanks to permit round trips from Laos without refueling. A number of DC-3s and Beechcrafts, piloted largely by ex-French Legionnaires and known as "Air Opium," formerly carried much of the Laotian narcotics cargo to Asian markets.

26. Opium grown in Pathet Lao-controlled parts of Laos is channeled to North Vietnam for processing and distribution. Some of the PL opium may then be carried down the Ho Chi Minh Trail to be sold in South Vietnam.

27. Although most authorities have estimated that no more than 5 percent of the illegal drugs that enter the United States have originated in Southeast Asia, recent intelligence indicates that heroin traffic between Southeast Asia and the United States has increased in the past few years and is expected to contribute increasingly to the US drug market. An Australian syndicate that smuggled narcotics from Hong Kong to New York City was smashed by narcotics agents in 1967; a Philippine-based smuggling ring did a lucrative business along similar channels in 1968-69. Commercial airlines have been the principal carriers, although a US narcotics agent in Saigon recently claimed that US military personnel are attempting to use military transport to smuggle narcotics to organized crime syndicates in the United States.

25X1C

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6

Secret

No Foreign Dissem

Secret

Approved For Release 2001/08/30 : CIA-RDP73B00296R000300060034-6